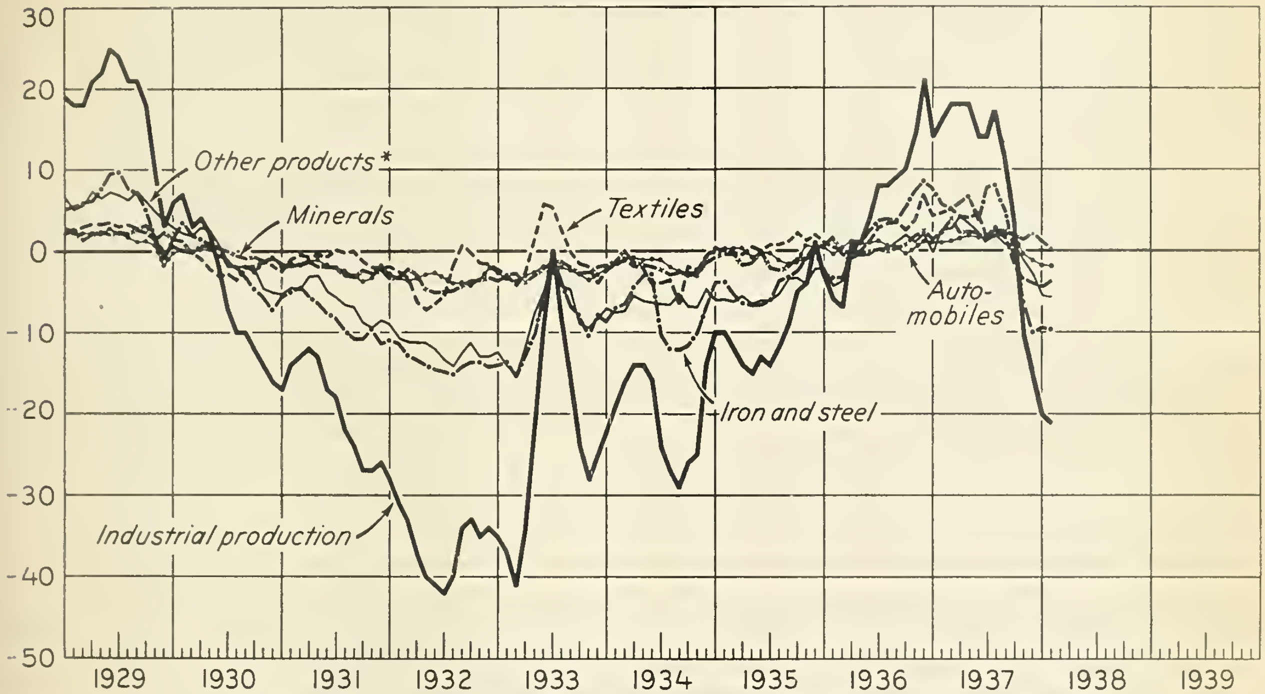
THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. APRIL 15, 1938

CONTRIBUTION OF SELECTED INDUSTRIES TO CHANGES IN FEDERAL RESERVE INDEX OF INDUSTRIAL PRODUCTION, 1929 TO DATE

1923-25 = 0



DUE TO METHOD OF COMPUTING INDEX NUMBERS OF INDUSTRIAL PRODUCTION, THE LINES SHOWN IN THIS CHART ARE ONLY APPROXIMATIONS OF THE RESPECTIVE CONTRIBUTIONS OF THE SEVERAL INDUSTRIES

* FOOD PRODUCTS, PAPER AND PRINTING, LOCOMOTIVES, LEATHER PRODUCTS, CEMENT AND GLASS, NONFERROUS METALS, MANUFACTURED FUELS, RUBBER TIRES AND TUBES, AND TOBACCO PRODUCTS

THE HEAVY SOLID LINE SHOWS PERCENTAGE DEVIATIONS OF THE FEDERAL RESERVE INDEX NUMBERS OF INDUSTRIAL PRODUCTION FROM THE 1923-25 AVERAGE. EACH OF THE OTHER LINES SHOWS THE EXTENT TO WHICH THE INDEX NUMBER OF INDUSTRIAL PRODUCTION WOULD HAVE DEVIATED FROM THE 1923-25 AVERAGE IF THE LEVEL OF OUTPUT OF ALL OTHER PRODUCTS INCLUDED IN THE INDEX NUMBER HAD REMAINED UNCHANGED; I.E., THEY SHOW THE RESPECTIVE CONTRIBUTIONS OF THE SEVERAL INDUSTRIES TO THE DEVIATIONS OF THE INDEX NUMBER REPRESENTING THE COMBINED MOVEMENT OF ALL THE PRODUCTS. THE ALGEBRAIC SUM OF THE DEVIATIONS OF THE INDIVIDUAL PRODUCTS IS EQUAL TO THE DEVIATION OF THE INDEX NUMBER OF INDUSTRIAL PRODUCTION.

U.S. DEPARTMENT OF AGRICULTURE NEG. 32700 BUREAU OF AGRICULTURAL ECONOMICS

The early part of the decline in industrial activity was largely caused by decreases in steel and textile production. Declines in automobiles, minerals, and "other products" came somewhat later in 1937, and have continued farther into 1938. As inventories became depleted, steel production recently advanced slightly, and the same tendency has been noted in several lines of consumers' goods. Such improvement, however, has been offset by continued decreases in other lines of production (after allowing for seasonal variation).

DOMESTIC DEMAND

The domestic demand for farm products experienced some further weakness during the past month. This is indicated by the movement of prices in relation to changes in supplies and by changes in business conditions.

The Federal Reserve index of industrial production, without adjustment for seasonal variation, remained unchanged from December through February, at 79 percent of the 1923-35 average. The adjustment for seasonal variation results in a slight decline for these months. The drop in total industrial output during the early months of the recession reflected largely declines in steel and textiles; recently, however, the decreases in automobiles, minerals and "other products" have contributed more to the decline (see chart on cover page). Available indications for March and early April point to little change in the rate of industrial production from that which prevailed in the first two months of 1938.

Continued sluggishness of industrial production, renewed weakness in the securities markets, and increasing evidence of economic as well as political disturbance in Europe, were depressing factors in the business situation during the past month.

The failure of industrial activity to experience as much of a spring upturn as had been rather generally anticipated may be attributed to several conditions. Expectations of a substantial increase in buying of various industrial goods as inventories became depleted were not borne out, although there was some improvement in such varied lines as steel, textiles and shoes. Retail sales, however, continued well above the apparent total production of finished consumers' goods, and the apparent utilization of many semi-finished products such as steel in quantities materially greater than current output. Evidently, during the past year, available indications of inventories and advance buying have led to underestimating the inventory situation, and stocks on hand must have been much greater than was at first thought. Sales have been declining more rapidly in recent weeks, and might reach a point at which even the present reduced levels of output of many goods would be excessive.

One of the most important factors in the present situation is the automobile industry. Production of automobiles has held about steady, in contrast to the usual sharp seasonal upswing at this time of the year, although sales have picked up enough to reduce dealers' stocks to more normal proportions. In addition to affecting the buying power of persons employed in the industry, the low level of automobile production has enabled manufacturers to continue operations without placing large orders for steel and other materials which usually contribute much to general industrial activity at this time of the year. The trade still hopefully looks for a late spring and early summer pick-up in the sales and production of automobiles, but if this fails to materialize little if any increase in total industrial production is likely to occur in the next several months.

One of the few encouraging developments during the past month has been the greater than seasonal increase in residential building construction, which in the first three weeks of March was only about 14 percent smaller than a year earlier, as contrasted with 50 percent in January. The value of all construction contracts in the first quarter was one-fourth under a year ago. Home mortgages selected for appraisal by the Federal Housing Administration during March totaled more than 95 million dollars, compared with 68 million a year earlier. About half of this amount represents refinancing, however, and the approval of an application does not necessarily mean that the construction will take place.

Recent announcements of proposed increases in Government expenditures for relief and public works in 1938 constitute a definitely favorable factor in the demand outlook for the latter part of 1938.

In view of the depressed conditions of the railroads, uncertainty in the utility field, the relatively low level of security values and attendant difficulties of new capital financing, and the existing amount of unused capacity in manufacturing establishments, there seems to be little reason to expect any important recovery in private capital goods production during most of 1938. Rather, such few new projects as have been started since the recession set in or which will be started during the next few months may be about offset by the gradual completion of large scale projects which were initiated prior to last fall. Any recovery from the depression which may occur in 1938 is much more likely to be as a result of some recovery in consumer goods and in industries supplying materials for them, followed by a gradual resumption of capital expenditures.

FOREIGN DEMAND

Increased evidence of recession in business activity in foreign countries has developed during the past month. World industrial production, excluding the United States, declined 5 percent from November - the recovery high point - to January, the latest month for which data are available.

Curtailment of world economic activity is reflected in the piling up of world stocks of primary commodities. At the close of 1937 the League of Nations index of world stocks of industrial raw materials and crude foodstuffs, though still 5 percent lower than at the end of 1929, was 8 percent higher than at the end of 1936.

In England a recent outstanding development has been the persistent decline in the volume of new orders secured by industry. This shrinkage in new business, however, has not yet been wholly reflected in industrial activity because of the time-lag between the placing and filling of orders. Stocks of semi-finished and finished goods have been accumulating, and unless an early revival of demand occurs, activity in many industries may be curtailed. The cotton, wool, and linen textile trades of England are largely dependent on international trade. With such trade definitely lessened in both volume and value since last summer, these industries have suffered most from reduced business activity. In recent weeks, for example, new sales of yarn have been equivalent to only about 50 percent of the reduced output.

The downward trend in world economic activity has affected the majority of foreign countries. In most of the British Dominions activity has declined relatively little, but their exports have already shown a substantial drop. Exports from other primary-producing countries, such as Argentina, have also declined. Industrial production in France is somewhat below the level of a year ago, recent declines occurring principally in textiles, mining, and metallurgy.

In Germany, business activity increased slightly from January to February, reflecting the initiation of new industrial projects and intensification of rearmament. In contrast to the domestic demand, especially for capital goods, German export business has definitely lessened.

The seasonally adjusted index of the volume of United States farm exports, at 85 percent of the pre-war average in February, was at the highest February level in 4 years; this level, however, was slightly below the January average. The increase over recent years is attributed largely to greater domestic crop production following recovery from the droughts. Exports of wheat and flour from the United States have increased sharply since September 1937, and the February index is over 6 times the level of a year ago. Exports of all grains show an even larger increase reflecting our enlarged exports of corn. Exports of grain are expected to continue at a high level for several months. Cotton exports, however, continue to be considerably below those of a year earlier.

WHOLESALE PRICES

The general level of wholesale prices in March and early April was still marked by lack of strength, and prices declined moderately following a slight upturn toward the end of February. The current level, at 78 percent of the 1926 average, was the lowest since June 1936.

The marked decline in prices of raw materials since a year ago would normally be followed by more of a decline than has already occurred in prices of finished and semi-manufactured goods. Recent reductions in wages and consumer buying power will tend to lower prices of some manufactured products. On the other hand prices of raw materials may recover some of their recent losses. An increase in Government expenditures, as well as the recently increased freight rates, would tend to offset price depressing influences. Despite numerous uncertainties in the price situation, it seems probable that wholesale prices will decline somewhat further, though at a slower rate, before there is any sustained upturn.

The decline in recent weeks has occurred largely in prices of farm products and foods, although prices of every commodity group of the Bureau of Labor Statistics index of wholesale prices is at least a little lower than in early March.

Prices of all commodities combined have declined 11 percent since the recovery high point in July 1937, with prices of farm products, foods, hides and leather, and textiles declining more than this amount. Prices of building materials, chemicals, and miscellaneous commodities have declined less than 11 percent, and prices of fuels, metals, and housefurnishings were practically unchanged in that period.

Prices of building materials are of particular significance in connection with the efforts now being made to promote building activity. Wholesale prices of building materials in relation to the 1910-14 average were higher in 1933 and are higher today than prices of any other group of products. Despite a decline of 6 percent from the recovery peak in mid-1937, prices of building materials are 165 percent of the 1910-14 average.

Of the 108 price series included in the Bureau of Labor Statistics index of wholesale prices of building materials, over half were as high in February 1938 as in July 1937, and 7 of these were even higher. No changes occurred from July to February in prices of cement, most brick, most tile, paint, building boards, glass, plaster, slate, stone, tar, nails, boilers, radiators, sinks, structural steel, iron and steel pipe, and bath tubs. The 7-percent decline in the building materials group as a whole reflected lower prices of most lumber, prepared roofing, sewer and lead pipe, doors, frames, reinforcing bars, copper, zinc, and some other products.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended April 9 was 80 percent of the pre-war level, compared with 102 for the corresponding week a year ago. The current ratio is the lowest since July 1934.

Recent price trends in the major foreign countries have varied considerably. Prices in Canada have been lower in recent weeks, and in England price declines have occurred since the first of the year, particularly in prices of primary products. Wholesale prices in Italy declined in January and February, breaking a 3-year advance that had previously been interrupted only in the sanctions period of 1936. Prices of most domestic products in Italy have been fixed; the price rise in 1937, therefore, largely reflected the higher prices for imported goods which resulted from the scarcity of lira exchange.

Prices in Germany have advanced a little since November, partly because of a rise in prices of agricultural products. In a recent decree the Reich Price Commissioner reduced dealers' rebates and commissions for farm machinery and implements, because of complaints that prices of farm equipment have been rising more rapidly than prices of farm products. Prices in France have been rising fairly steadily for the last 2-1/2 years. The price advance in the last 18 months has reflected the progressive depreciation of the franc, further currency inflation is now under consideration. Prices in Japan have been advancing since last summer along with credit inflation and short supplies of commodities. Prices in China have also been increasing.

The combined index of wholesale prices in the currencies of nine foreign countries which take about 80 percent of our agricultural exports declined one point in February to 88 percent of the 1924-29 average, the same level as in November and December.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers in mid-March declined to 96 percent of pre-war, the lowest since August 1934, compared with 97 in February and with 128 in March 1937. Declines from February to March in prices received for grain, dairy and poultry products, truck crops and miscellaneous items more than offset increases in prices received for meat animals, cotton and cottonseed, and fruit. The preliminary estimate of prices paid by farmers for commodities, at 126 percent of pre-war in March, is unchanged from the level of the previous 3 months, compared with 132 in March 1937. The ratio of prices received to prices paid by farmers declined to 76 percent in March compared with 77 in February and 97 a year earlier.

Market prices indicate that the general level of prices received by farmers in mid-April was somewhat lower than in March. Prices of grains, cotton, hogs, dairy products and truck crops have declined since a month ago.

FARM INCOME

Farm income was larger in March than in February and income from farm marketings for the first quarter of 1938 was approximately $1,550,000,000 compared with $1,739,000,000 during the first 3 months of 1937. While income from all groups of commodities except dairy products has been lower in the first quarter of 1938 than in early 1937, the most pronounced declines were in fruits and vegetables, tobacco, and poultry and eggs.

The present supply and demand conditions indicate about the usual seasonal changes in income from March through June. In most years income from farm marketings during the second quarter of the year are from 5 to 10 percent smaller than in the first quarter. This would indicate a cash farm income during the first half of 1938 of about $3,000,000,000, compared with $3,503,000,000 in the first half of 1937.

Government payments during the first quarter of 1938 were somewhat smaller than a year earlier, but during the second quarter of the year they are likely to exceed those of the same period last year and will help to offset the lower level of income from marketings.

COTTON

During March domestic cotton prices declined three-fourths of a cent per pound, which was about the same as the advance during February. At the end of March the price of Middling 7/8 inch cotton in the 10 designated markets was slightly above 8½ cents per pound, compared with a little over 9¼ cents at the beginning of the month and a little over 8½ cents in early February. From April 1 to April 13 there was comparatively little net change in domestic prices. Despite the price decline in March, current prices are still nearly 1 cent above the low point reached in early November, but are about 6 cents (or two-fifths) less than the comparatively high prices in the first half of April last year.

The February advance in cotton prices was apparently due primarily to the passage of the Agricultural Adjustment Act of 1938 with its provisions pertaining to domestic cotton production and to the disposition of Government-financed stocks. The price advance occurred despite continued unfavorable developments with respect to demand. The more recent price decline appears to have been largely due to the continued unfavorable developments in the demand for cotton and cotton textiles and perhaps to the recent legislation increasing the 1938 United States cotton acreage allotment by about $1\frac{1}{2}$ to 2 million acres.

Recent reports and estimates of cotton consumption during the first 6 or 8 months of the season have been more unfavorable than previously anticipated. Furthermore, the continued low level of manufacturers' cotton textile sales and increases in stocks have increased the possibility of still further curtailment in cotton mill activity in some countries. Even if activity should increase over the currently low levels, cotton manufacturers' stocks and unfilled orders appear to be such that in many countries the rate of mill consumption in the last 4 months of the season will probably average much lower than in the first 8 months of the season and lower still in relation to a year earlier.

In the United States the mill consumption of cotton during March amounted to 511,000 bales, which was 34 percent less than in March last year and 7 percent smaller than March 1936. For the 8 months, August to March, the annual rate of domestic mill consumption was about 6 million bales. This rate was 24 percent less than the record 1936-37 consumption, 6 percent less than 1935-36, but 11 percent larger than 1934-35. Foreign mill consumption of all cotton from August to February, as estimated by the New York Cotton Exchange Service, was equivalent to an annual rate which was 8 percent less than actual consumption in 1936-37. Foreign consumption of American cotton was equivalent to an annual rate which was 6 percent more than last season's consumption.

Despite the recent increase in the 1938 domestic cotton acreage allotment, it is still 6 to $6\frac{1}{2}$ million acres or 17 to 21 percent less than the 1937 planted acreage. The 1938-39 cotton acreage in foreign countries also is expected to be less than that of the previous season.

WHEAT

The trend in domestic and foreign wheat prices is expected to be downward as adjustment is made toward the Northern Hemisphere new-crop basis. In the next month or so, however, some temporary strengthening in prices may occur, as this is the time of the year when crop scares and declining receipts of Southern Hemisphere grain in European markets may be expected.

A winter wheat crop in the United States of about 726 million bushels, was indicated by the April 1 condition. And average yields on the spring wheat acreage indicated in the March 1 prospective plantings report would produce a spring wheat crop of about 200 million bushels. If these indications materialize, the domestic wheat crop would total approximately 925 million bushels. A domestic crop of this size would be about 250 million bushels in

excess of the 5-year (1932-36) average domestic disappearance of 670 million bushels. If the carry-over on July 1, 1938, turns out to be about 200 million bushels and exports in 1938-39 do not exceed about 50 million bushels, the carry-over in July 1939 may surpass the 378 million bushels reached in 1933.

As at least a partial offset to this supply situation, loans provided under the Agricultural Adjustment Act of 1938 would cause grain to be withheld from market and thereby serve as a check on declining prices. If parity price remains about unchanged, loans to farmers under the Act would be not less than 60 cents on the average, compared with present average local market prices of around 75 cents.

While the acreage in the Northern Hemisphere possibly may not be much different from last year, the condition of the crop is generally substantially better and a larger crop now seems probable. In Italy, however, drought has caused much deterioration. In Australia, the farmers will begin seeding within another month but where the harvest does not take place until December, the current lack of moisture may result in some curtailment in acreage. Reports indicate that conditions for seeding in Argentina are favorable.

During the last week in March, domestic prices were unsettled, influenced by favorable crop prospects together with weakness in securities. The Liverpool market rose, however, influenced largely by a sharp price advance at Winnipeg where market supplies of milling wheats are rapidly being depleted. During the first week in April, domestic and foreign markets advanced as a result of increased export demand and apprehension concerning frost damage to the United States crop together with reports of dry conditions in Italy and Australia.

CORN AND OTHER FEED GRAINS

The cash price of No. 3 Yellow corn at Chicago advanced to 59 cents per bushel for the week ended April 9 to 2 cents per bushel above the price for the week ended March 12. During this same period the cash price of No. 3 White oats at Chicago declined 2 cents per bushel, while the cash price of No. 3 barley at Minneapolis declined about 5 cents. During the next 2 or 3 months some seasonal weakness in oats and barley prices is to be expected if growing conditions for new crops are favorable. Corn prices, on the other hand, may be supported by the present loan and the prospective loan rate on the 1938 crop. No marked change in corn prices now appears probable unless growing conditions for the new crop are much different from average.

The disappearance of corn and oats during the first 3 months of 1938 was 5 percent below the 1929-33 average. This is a small disappearance considering the rather large stocks available on January 1, but it is large relative to the number of livestock on farms. Farm and commercial stocks of corn on April 1 totaled 1,110,905,000 bushels, more than double the stocks on that date a year ago, and 27 percent above the 5-year average. Stocks of oats amounted to 436,378,000 bushels or 43 percent above the stocks of a year ago and about equal to the 1929-33 average. The combined April 1 stocks of these two grains per grain consuming animal unit were 37 percent above average, and the largest on record. Large stocks, together with the prospective

acreages of feed grains to be planted, indicate that with near average yields supplies will be ample for the livestock on farms during the remainder of 1937-38 and for the 1938-39 marketing year.

Corn exports have continued heavy during recent weeks, and from October 1 through April 2, they have totaled more than 43 million bushels. These exports are larger than any seasonal total in more than 15 years. The present world situation would indicate that exports of domestic corn may continue large into the 1938-39 marketing year if our 1938 crop is again near average. The small Argentine crop now being harvested will probably be largely out of the way by the time our 1938 crop is produced.

HOGS

Seasonal changes in hog prices this spring and summer are expected to be more nearly normal than in the corresponding period last year. Some further decline in prices appears probable during the late spring and early summer as hog marketings increase seasonally. After mid-summer some recovery in prices may occur, but the seasonal rise in this period may be limited by the continued weak consumer demand for meats. As compared with a year earlier, the hog situation during the remainder of the present marketing year, ending September 30, will be influenced by (1) a weaker consumer demand for meats; (2) larger hog marketings, and (3) smaller storage supplies. The smaller stocks of pork and lard now on hand will offset in considerable part the larger marketings expected for the remainder of the year.

Although slaughter supplies of hogs continued relatively small in March, hog prices weakened somewhat during the last half of the month and in early April. The average price of hogs at Chicago for the week ended April 9 was about $8.50 compared with $9.40 a month earlier and about $10 a year earlier. The decline in prices during the latter half of March and in early April apparently was the result of further weakness in consumer demand for meats.

Inspected hog slaughter in March totaling 2,610,000 head, was smaller than in February and smaller than in March last year. Average weights of hogs in March, as in other recent months, were considerably heavier than a year earlier, reflecting the larger feed supplies and the prevailing high hog-corn price ratio. For the first half of the 1937-38 marketing year, which began last October, inspected hog slaughter was about 2.3 million head smaller than in the same period of last year. It is probable, however, that slaughter for the entire year 1937-38 will be about as large as that of the preceding year.

BEEF CATTLE

Cattle prices are expected to remain relatively stable near present levels during the next few months. Although slaughter supplies of the better grades of cattle are expected to increase seasonally during the spring months, further declines in prices of such cattle are not likely to be very great in view of the sharp drop that occurred from October through January. Prices of the lower grades of cattle usually rise in the spring season, but with a relatively narrow margin now prevailing between prices of the better and lower grades of cattle, a marked rise in prices of the better grades would have to occur before prices of the lower grades could score much advance.

After declining sharply in the late fall and early winter, prices of most grades of slaughter steers and heifers advanced moderately from early February to mid-March. During the last 2 weeks of March, however, prices of such cattle declined slightly. Prices of slaughter cows have been maintained at a relatively stable level since early January. Prices of veal calves declined sharply during March, chiefly because of a seasonal increase in market supplies.

Prices of all grades of slaughter steers at Chicago in March averaged 50 to 60 cents higher than those of a month earlier, but prices of the better grades were from $3 to $5 below those of a year ago. Prices of the lower grades of steers and of the better grades of slaughter cows in March were only moderately lower than a year earlier, while prices of the lower grades of cows were about the same as last year.

Market supplies of slaughter cows continued seasonally small in March. Some increase in the supply of grain-fed steers occurred, but supplies of heavy, well-finished kinds continued relatively scarce. The number of cattle slaughtered under Federal inspection in March, totaling 809,000 head, was 13 percent larger than in February, but was 2 percent smaller than a year earlier.

SHEEP AND LAMBS

Prices of spring lambs from late April through June will average considerably lower than a year earlier. Although total slaughter supplies of sheep and lambs during the late spring may be little larger this year than last, consumer demand for meats is much weaker and prices of pelts lower than a year ago. The early spring lamb crop in the principal early lambing States is at least 15 percent larger this year than the small crop of 1937. Marketings of new crop lambs before July 1 will be materially larger than a year earlier, but this increase may be about offset by smaller marketings of grass-fat yearling lambs from Texas, which were of record proportions in the spring of 1937.

Lamb prices, after declining during the first 2 months of the fed-lamb marketing season (December-April), advanced sharply in late February and early March. About one-half the gain was lost in the following 2 weeks, however, although prices advanced slightly in the last week of March. The average price of good and choice fed-wooled lambs at Chicago for the week ended April 9 was $8.53, more than $1 higher than at the low point in February, but about $3.50 lower than a year earlier.

Market receipts of sheep and lambs decreased seasonally in late February and early March, then increased in mid-March, but not to a level as high as in January and early February. The number of sheep and lambs slaughtered under Federal inspection in March totaled 1,428,000 head, slightly larger than a month earlier due to the greater number of marketing days, and 7 percent larger than a year earlier.

Shipments of sheep and lambs from the principal feeding areas of Colorado and western Nebraska from January through March this year were considerably larger than in that period last year. In early April, the number of sheep and lambs remaining in feed lots in northern Colorado, the Arkansas Valley, and the Scottsbluff section was reported to be more than 100,000 head larger than at the same time last year, and also larger than 2 years ago.

WOOL

The domestic wool price situation was strengthened in March by the announcement of a Federal Government loan program for domestic wool and by slightly higher prices in foreign markets. In view of the relatively large carry-over of wool into the new season, domestic prices are not likely to show a material increase until there is a marked improvement in the wool manufacturing situation.

Mill consumption of apparel wool in the United States in February showed some increase over the unusually low level of the previous 3 months. The February consumption, however, was less than half as large as that in February last year and was the smallest consumption for the month in the past 20 years of record.

United States imports of wool thus far in 1938 have been negligible compared with the large imports in the early months of 1937. In view of the present small mill demand and the relatively large stocks of domestic wool, imports in the first half of this year no doubt will be much smaller than in the corresponding months of 1937 and 1936.

Exports of wool from the five principal Southern Hemisphere producing countries for the 1937-38 season through February were 23 percent smaller than in the same period a year earlier and smallest for that period in any of the 10 years, 1927-28 to 1936-37. Chiefly as a result of the small exports, apparent supplies in the Southern Hemisphere countries on March 1 were estimated to be 27 percent larger than a year earlier and 20 percent larger than average March 1 stocks for the 5 years, 1932-36.

BUTTER

Butter production is increasing seasonally and is the largest in several years. With the low level of employment and payrolls, butter prices have declined, and in March averaged the lowest for the month since 1934. With prospects for relatively heavy butter production and no marked change in payrolls, it seems probable that prices during the coming summer will average considerably lower than in either of the past 2 years but probably about the same as in the summer of 1935. The level of prices during the coming summer, however, will depend in part upon the program followed by the Federal Surplus Commodities Corporation. Since mid-February the Corporation has purchased about 4,500,000 pounds of butter.

Production of butter in February was 9 percent larger than a year earlier and the fourth largest for the month, being exceeded in the 3 years 1932-34. If pastures during the coming summer should be about average or better, production probably will continue relatively large.

In contrast with the increase in production, apparent consumption of butter in February was 3 percent less than a year earlier and the smallest for the month in 3 years. The net out-of-storage movement and imports in February were decidedly less than in the same month of 1937. The changes in apparent consumption and retail prices indicate that consumer expenditures for butter in February were about 11 percent less than a year earlier and the lowest for the month since 1934. It seems probable that consumer expenditures for butter will continue relatively low until there is an improvement in the business situation.

The price of butterfat in March was equivalent to the price of 31.7 pounds of feed grains. This compares with 19.3 pounds a year earlier and the 1925-29 average of 31.6. The relationship between butterfat and feed prices is about the same as the post-war average. With much larger supplies of feed on farms than a year ago, it is probable that supplementary feeding during the pasture season will be greater than in the summer of 1937.

POULTRY AND EGGS

The price of eggs appears to have reached its seasonal low point in March. And though some small declines may occur this spring, the trend of egg prices is expected to be upward unless consumer incomes fall more than is now believed likely. Supplies of eggs are not expected to be as great as in 1937. Storage stocks are not expected to accumulate to such a size as during the past year, and a substantial reduction, possibly 20 percent, from 1937 appears likely in the August 1 holdings of shell and frozen eggs. The effect of the probable smaller holdings on egg prices in the last half of 1938 will probably be to raise them above those of 1937.

The price of chickens is declining relative to its 10-year average of corresponding months. By mid-year, with a larger hatch expected than in 1937 - probably 5 to 10 percent greater - prices of chickens are likely to go under those of 1937 and to remain below those of a year earlier throughout the fall and winter. The relative decline is believed to have been the result of falling consumer incomes. Supplies of poultry, both in storage and on farms, are quite low.

APPLES

Prices of most apples at terminal markets have remained fairly steady since mid-January, although prices of western apples have declined some in recent weeks. The general average of eastern apple prices at New York was $1.05 per bushel for the week ended April 2, $1.02 a month earlier and 99 cents 2 months earlier. Auction prices of western apples at New York for the same 3 weeks were $1.35, $1.49, and $1.49, respectively. The failure of market prices of apples to show some seasonal rise thus far in the current season appears to be due to at least 3 important factors - storage stocks of record size, a declining level of consumer purchasing power since late in the fall of 1937, and small export demand relative to previous years of large supplies.

The movement of apples out of cold storage during March was 15 percent greater than during February, but the out-of-storage movement for the season to date has been at a rate much below average. Stocks on hand April 1 were 41 percent larger than the average April 1 holdings, whereas the January 1 stocks this year were only 23 percent above the average for January 1. Cold storage stocks of apples on April 1 amounted to 12 million bushels, compared with 7.4 million bushels on hand April 1, 1937 and the 1927-36 average April 1 holdings of 8.5 million bushels. Stocks of western boxed apples were about 5 percent less than the 10-year average, but April 1 stocks of eastern apples were more than twice as large as average and the largest on record.

Exports of apples from the United States in February this year amounted to 1.3 million bushels, more than 60 percent greater than exports in February 1937, but almost 52 percent smaller than in February 1932, when domestic apple supplies were also very large. For the first 8 months of the current season (July-February) exports of apples totaled 8.2 million bushels, compared with 15.2 million bushels for the same period of the 1931-32 season, and the 1931-36 average of 10.9 million bushels.

POTATOES

Prices of old potatoes at market centers advanced slightly during recent weeks, as the car-lot movement has passed its peak of the season and is now on a declining trend. Prices of new southern potatoes advanced seasonally, as the principal source of supply shifted from southern Florida to the Hastings area of Florida and the lower Rio Grande Valley of Texas.

Car-lot shipments of old potatoes decreased to about 3,400 cars during the week ended April 2 from slightly more than 4,600 cars the preceding week and about 5,300 cars during the week ended March 12, the peak movement for the season. However, during the week ended April 9, shipments increased again to 3,960 cars. From January 1 to April 9, about 67,500 cars of old potatoes were shipped from the late States, thus leaving about 18,000 cars to be shipped after that date. Shipments of new potatoes increased from the recent weekly rate of about 400 cars to 1,100 cars during the week ended April 9. If the movement follows the usual trend, shipments probably will increase sharply from now until about the first of June. The movement from the lower valley of Texas is becoming active, but Florida is still shipping about three-fourths of the weekly total.

Early indications point to a smaller United States crop of potatoes in 1938 than was harvested in 1937. The prospective acreage is indicated to be about 4 percent smaller than the planted acreage a year earlier, which - with average yields - would result in a United States potato crop of about 345 million bushels. The early and intermediate crops are indicated to be slightly smaller than in 1937, but the late crop probably will be considerably smaller unless yields per acre are higher than average. In all of the early and intermediate States except California and Texas, growing conditions are reported to be favorable.

TRUCK CROPS

Prospects are for liberal market supplies of most of the truck crops this spring and consumer incomes are considerably lower than a year earlier.

Acreage generally is somewhat larger than that of last season and far above the 1928-32 average. Growing conditions have been mostly favorable. Compared with last season, the indicated acreage increases are especially marked for asparagus, beets, carrots, lettuce, onions, and tomatoes. For intermediate and late cabbage, early reports of growers indicate a slightly larger acreage than in 1937. Onion acreage in the intermediate States probably will be nearly one-fifth less than last year, but the late onion acreage may show a 6-percent increase, most of the increase being in the central and western States. Acreage of early watermelons, which will soon begin moving to market, is about 5 percent greater than that of 1937, but the second-early acreage is expected to be only slightly greater than last year, when low prices were received by growers.

During the second week of April, car-lot shipments of tomatoes and new-crop cabbage were especially large, each averaging about 150 cars daily. Celery movement also was heavy, and snap beans, carrots, cucumbers, onions, and spinach were very active. Asparagus shipments from California were rapidly increasing, and new-crop onions had started moving from southern Texas. Lettuce shipments had decreased considerably, following the close of the Imperial Valley season, but still averaged 100 cars per day, mainly from Arizona and central California. Lettuce prices doubled in the last month in important wholesale markets. After a long period of dullness and low prices, northern stored onions advanced in price during early April and it began to look as if the wind-up of the season might be more favorable than anticipated a month ago. Recent price declines for about half a dozen important truck crops were partially offset by slight advances for an equal number of other vegetables. Acreage of truck crops for canning or manufacture probably will be less than that of 1937.

Business statistics relating to the demand for farm products, specified periods

Year and month	National income 1/	Nonagricultural income 2/	Industrial production 3/	Building contracts awarded 3/	Factory employment 4/	Income of industrial workers 5/	Foreign industrial production 6/	All commodity prices 7/	Retail food prices 8/	Prices received by farmers 9/	Prices paid by farmers 10/	Ratio of prices received to prices paid
Base period-	1929	1924-29	1923-25	1923-25	1923-25	[illegible]	1923-25	1910-14	1913	1910-14	1910-14	1910-14
1929	100	107	119	117	105	106	136	139	166	146	153	95
1930	93	100	96	92	91	87	124	126	158	126	145	87
1931	79	86	81	63	77	67	111	107	130	87	124	70
1932	62	68	64	28	66	46	97	95	108	65	107	61
1933	58	63	76	25	72	48	107	96	105	70	109	64
1934	66	72	79	32	82	60	116	109	117	90	123	73
1935	70	77	90	37	86	67	124	117	127	108	125	86
1936	80	87	105	55	92	77	132	118	130	114	124	92
1937 1/	87	96	110	59	99	90	144	126	135	121	130	93
1937-												
Jan.	85	93	114	63	96	87	138	125	134	131	130	101
Feb.	86	94	116	62	99	88	141	126	134	127	132	9[illegible]
Mar.	88	95	118	56	101	91	143	128	135	128	132	97
Apr.	88	96	118	53	102	94	145	128	136	130	134	97
May	88	97	118	56	102	95	147	128	137	128	134	96
June	88	97	114	61	101	94	146	127	137	124	134	93
July	88	98	114	67	101	95	141	128	136	125	133	94
Aug.	89	98	117	63	102	95	142	128	135	123	132	93
Sept.	88	97	111	56	102	92	147	128	136	118	130	91
Oct.	87	96	103	52	101	90	148	125	135	112	128	88
Nov.	85	95	89	56	95	83	149	122	132	107	127	84
Dec.	84	98	84	62	89	76	146	119	131	104	126	83
1938-												
Jan.	82	90	80	52	82	70	141	118	127	102	126	81
Feb. 11/	80	88	79	48	82	69		116	124	97	126	77
Mar. 11/								116	125	96	126	76

Continued -

Business statistics relating to the demand for farm products, specified periods - Continued

NOTES:

1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929=100, (monthly adjusted for seasonal variation). Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties. Monthly index described in Survey of Current Business, February 1938.
2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Entire series was revised in July 1937.
3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
8/ Bureau of Labor Statistics index, 1913 = 100.
9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
10/ Bureau of Agricultural Economics, 1910-14 = 100.
11/ Preliminary.